



MANAGEMENT LETTER POINTS

Estill County School District
Irvine, Kentucky

In planning and performing our audit of the financial statements of the Estill County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 5, 2015. This letter does not affect our report dated November 5, 2015, on the financial statements of the Estill County School District. The conditions observed are as follows:

ESTILL SPRINGS ELEMENTARY

No conditions.

SOUTH IRVINE ELEMENTARY

1-15

Statement of Condition: Monthly Financial Reports were not being reconciled timely.

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15th of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation: We will mark on our calendar and monitor closely that all accounts are reconciled and sent to C.O. for approval by the 15th of each month.

2-15

Statement of Condition: Activity Fund account (Book Club & Graduation Account) ended the fiscal year (June 30) with a deficit balance.

Recommendation for Correction: Monies can be transferred between activity fund accounts, as long as money generated by the students goes back to benefiting the students. Monies generated for a specific purpose must be spent on the intended purpose. Any monies transferred to cover deficit balances shall be reimbursed by the deficit account when funds become available. Closer monitoring of activity fund account ending balances before signing off on purchase orders will decrease the chances of accounts becoming deficit.

Management Response to the Recommendation: S.I. will monitor and ensure that sufficient funds are in activity accounts prior to entering into the purchasing process.

WEST IRVINE ELEMENTARY

3-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Teachers here at West Irvine are very good at getting money to me the day they take it in. However there have been a few instances where I have been out or had to work the front office. Monies collected on these days were deposited the next day. Also if we have a dance on a Friday that money will be deposited the following Monday. In recommendation (refer to Redbook March 2013 pg. 5 guidelines #1) from the Redbook Trainers West Irvine purchased a safe and all money is counted by 2 people having the event and locked up until the next business day. I was also unaware that when deposit money the next day that I must make sure that the date for the receipt must be the date that the money is turned in. I will make sure to do this from now on.

4-15

Statement of Condition: Paid for professional development for teachers.

Recommendation for Correction: Expenses paid for professional development can not be paid from the school activity account. This must be paid at the district level.

Management Response to the Recommendation: On the finding of paying for PD out of the Activity Account. It was my understanding that because it was Counseling and wasn't student generated that we could do this. As of 10/29/15 we now know that the Counseling fund is considered student generated and we know that we cannot pay for PD out of this account. I will do a better job at making sure this does not happen again.

5-15

Statement of Condition: Paid invoices are not consistently being filed in check numerical order by month.

Recommendation for Correction: The school treasurer shall file all documents for a disbursement together by month, in check numerical order.

Management's Response to the Recommendation: I always try my best to make sure that invoices paid are filed in check numerical order and I will do a better job to insure this is happening.

ESTILL COUNTY MIDDLE SCHOOL

6-15

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: We will ensure receipt numbers are written on daily deposit slips.

7-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Money and documentation will be turned in daily for deposits.

8-15

Statement of Condition: Instances of multiple sources of receipts being combined on one receipt and not writing a receipt to each staff member or source turning in monies.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer (if automated) or manually (if not automated). The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: Each person collecting money will be issued an individual receipt.

ESTILL COUNTY HIGH SCHOOL

9-15

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation: The finance lady will initial the deposit slip along with another high school employee that has verified the deposit.

10-15

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation: Mr. Ballard, District Athletic Director, said that his gate workers always sign off on the requisition and Report of Ticket Sales (F-SA-1) form. Mr. Ballard said he has two employees to work the gate. Tickets can't be torn in half because they have a coupon on the back. Mr. Ballard said workers can tear stub, if desired.

11-15

Statement of Condition: The Principal is not dating the bank statement after review.

Recommendation for Correction: The Principal should sign and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: The Principal will sign and date each monthly bank statement.

12-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: This will be addressed with all our employees, that nothing is to be purchased without a purchase order number.

13-15

Statement of Condition: Activity Fund account (Class of 2015) ended the fiscal year (June 30) with a deficit balance.

Recommendation for Correction: Monies can be transferred between activity fund accounts, as long as money generated by the students goes back to benefiting the students. Monies generated for a specific purpose must be spent on the intended purpose. Any monies transferred to cover deficit balances shall be reimbursed by the deficit account when funds become available. Closer monitoring of activity fund account ending balances before signing off on purchase orders will decrease the chances of accounts becoming deficit.

Management Response to the Recommendation: This will be corrected as directed.

Central Office

14-15

Statement of Condition: Two employees were given years of experience for a stipend which appears to not have been included in the salary schedule and the superintendent told the payroll clerk to pay.

Recommendation for Correction: We would recommend the Board implement policies & procedures over any additions to employees salary must be on the approved salary schedule before she is allowed to pay.

Management Response to the Recommendation: The stipend amount was on the salary schedule, just not the experience factor. This was corrected.

15-15

Statement of Condition: During our testing of cash, we noted a cash account was confirmed by the bank using the Board's federal ID number and this is not a District cash account.

Recommendation for Correction: We would recommend the finance officer contact the entity and ask them to change the account under their own federal ID number.

Management Response to the Recommendation: We will discuss this with Citizens Guaranty Bank and get it corrected.

16-15

Statement of Condition: During our testing of capital assets, we noted the District was using \$1,000 as the capitalization threshold and KDE has recommended using \$5,000.

Recommendation for Correction: We would recommend the District adopt the \$5,000 capitalization threshold.

Management Response to the Recommendation: Management will discuss this and decide whether or not to adopt KDE recommendations. The \$1,000 threshold has provided an inventory system for the district.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

Conditions 1-15 and 10-15 were repeat conditions from the prior year. All other prior year conditions have been implemented and corrected. Mr. Jeff Saylor, Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 5, 2015